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**JANUARY 18, 2002**

# SENATOR BILL MORROW



## CAPITOL UPDATE

### Budget Update

#### GOVERNOR RELEASES 2002 BUDGET

Governor Davis released his proposed 2002 budget. The \$100 billion spending plan reflects a \$12.5 billion deficit in the current year and the coming budget year.

	2001-2002	2002-03 Proposed
Revenues (General Fund)	\$69,423	\$77,733
Transfers/Loans/Debt Financing	\$7,660	\$1,572
Expenditures	\$78,380	\$78,806

### 2002-03 GENERAL FUND SPENDING

#### EXPENSIVE AND RISKY PROPOSAL TO SOLVE THE SHORTFALL

Davis has proposed to close the gap in the following way:

**Securitize Tobacco Settlement Funds** - Each year, the state receives \$400 million from the tobacco settlement. The Governor proposes to engage in leverage financing with some of the revenues California will receive over the next 22 years. While that allows the state to borrow and spend \$2.4 billion in the current year, it is a gimmick that will tie-up close to \$200 million each year for the next 22 years for debt repayment. Ultimately, we will pay \$4.2 billion for the one-time use of \$2.4 billion today. Davis is gambling that the state will experience an economic recovery of sufficient size and duration to absorb this long-term debt to fund current operations.

## **TAX INCREASES**

This budget is based on a \$1.2 billion sales tax increase which became effective on January 1, 2002, and includes an additional \$240 million in tax increases.

Additionally, the Governor is proposing to double waste discharge permit fees levied against entities (local governments and other public institutions and the private sector) at a time when federal law is mandating considerable new expenditure of monies for clean water programs. The fee increase will cost California employers \$15 million annually.

## **EDUCATION**

The Governor's proposed budget:

- Funds the minimum required by law (Proposition 98). This will result in an increase of \$1.1 billion.
- Does not fund special education cost of living adjustment (COLA) and growth with state Prop 98 funds. Instead, the \$110 million in new federal special education dollars will be used to fund COLA and growth.
- Includes a 10% reduction in all K-12 Independent Study funding.
- Eliminates \$40 million in equalization funding and \$250 million in energy grants that were approved by the Legislature as part of the 2001 Budget.

## **LOCAL GOVERNMENT**

- The Budget includes \$116.3 million for the Citizens' Option for Public Safety (COPS) and \$116.3 million for the Juvenile Crime Prevention Program - this merely represents the full funding required by state law.
- \$35.4 million for Technology Grants for Local Law Enforcement
- \$13.5 million for High Technology Crime and Identity Theft
- \$15 million for the War on Methamphetamine
- \$18.5 million to fund 37 small and rural counties with \$500,000 grants per county.

## **TRANSPORTATION**

- This budget diverts \$672 million from the Traffic Congestion Relief Fund and \$474 million from the State Highway Account to help balance the General Fund deficit.
- The Governor's budget includes \$162 million for local streets and roads as part of the Traffic Congestion Relief Program - this represents a reduction of \$38 million from last year's projections by the Department of Finance.
- The 2002 biennial revision to the State Transportation Improvement Program is expected to be adopted in August of 2002 and projected to include \$3.882 billion which will be available for programming between 2002 and 2007.

## **HEALTH CARE**

The Governor proposes to reduce the amount the State reimburses doctors who treat Medi-Cal recipients by partially rescinding the modest increases provided

in 2000. This proposal will cost health care providers \$155 million. Even prior to the Governor's proposed cuts, current rates for physician payments average 50-60 percent of Medicare rates and are far below rates for private pay patients. In more affluent areas, the lower rates are more readily absorbed. This is a critical problem in the Central Valley, where a disproportionate share of Medi-Cal recipients are served.

## Legislative Successes

### **SB 569**

On Monday, January 14<sup>th</sup> my SB 569 successfully passed the Senate Committee on Public Employment and Retirement. SB 569 allows state civil servants that are reservists and guardsmen to apply their annually allotted 30 days of paid military leave for active duty to their inactive duty training. This bill would help those state employees that currently have to take vacation time or non-paid leave to accommodate their inactive duty training. I will present SB 569 in the Senate Appropriations Committee on Thursday, January 25.

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Health Scope: Ratings of hospitals in California  
<http://www.HealthScope.org>

2001 Base Academic Performance Index (API) -- rankings of public schools across the state  
<http://api.cde.ca.gov/>